

Chubb Insurance Singapore Ltd.

Primary Credit Analyst:

Philip P Chung, CFA, Singapore + 65 6239 6343; philip.chung@spglobal.com

Secondary Contacts:

Trupti U Kulkarni, Singapore + 65 6216 1090; trupti.kulkarni@spglobal.com

Billy Teh, Singapore + 65 6216 1069; billy.teh@spglobal.com

Table Of Contents

Major Rating Factor

Rationale

Outlook

Related Criteria

Related Research

Chubb Insurance Singapore Ltd.

Major Rating Factor

- Highly strategic subsidiary of Chubb Group, resulting in likely group support.

**Operating Company Covered
By This Report**

Financial Strength Rating

Local Currency

AA-/Stable/--

Rationale

The rating on Chubb Insurance Singapore Ltd. (Chubb Singapore) reflects the important role the insurer plays in supporting the wider Chubb Ltd.'s (Chubb Group) strategy in Asia. We view Chubb Singapore as a highly strategic subsidiary of the group. The rating on Chubb Singapore is one notch lower than the group credit profile.

Chubb Singapore will continue to benefit from long-term support provided by the group in the areas of underwriting expertise, reinsurance arrangements, distribution support, investment advisory, data analytics, and technology. The insurer is likely to maintain a satisfactory underwriting performance backed by the group's prudent risk control. It benefits from the parent group's strong risk management framework, with close alignment between developments in Singapore and those at the regional office and the group level.

Chubb Group is highly unlikely to divest its interest in Chubb Singapore, despite the insurer's small contribution in terms of capital and earnings. Chubb Singapore's strategic role in supporting multinational clients in Southeast Asia, while maintaining modest market position and profitability in Singapore, underpins its importance to the group. The group's investments in a few distribution/digital partnerships in the region over the years will also benefit its Singapore subsidiary. In our view, the group's investments to strengthen distribution reinforces its commitment to broaden its presence in Asia.

Chubb Singapore is likely to maintain its sound market presence in Singapore's highly competitive and fragmented property and casualty (P/C) sector. In our view, the insurer's premium growth will be moderate through 2022 as it continues to focus on growing its property and personal segments. This is given modest rate improvements in some lines in the first half of 2021 and the insurer's emphasis on growing its small and medium enterprise accounts. However, growth in accident and health lines is likely to remain muted due to sustained COVID-19-related social distancing measures and travel restrictions.

Chubb Singapore's market position over the next two years will likely benefit from its distribution partnerships, which provide the insurer a larger customer base and sizable presence. The insurer's multiple digital collaborations and gradual growth in its agency channel should also contribute to its premiums and business diversity. For 2020, Chubb Insurance maintained a 5.5% market share in terms of gross premiums written. A marginal decline in gross premiums during the year was primarily due to reduction in personal accident and health (travel related), and professional indemnity lines.

We expect Chubb Singapore's operating performance to remain modest over the next two years, supported by its

profitable casualty and personal lines. The insurer's five-year average net combined ratio was about 91.7% in 2016-2020, a slightly better underwriting performance than the industry's (at about 96%). We estimate Chubb Singapore will maintain a combined ratio of 90%-95% through 2022. This reflects the insurer's continued focus on underwriting and ability to maintain lower loss ratios, similar to those for its legacy books. We believe COVID-19 will have a limited impact on Chubb Singapore, given the insurer has no material pandemic-related claims.

Chubb Singapore's effective use of intergroup reinsurance arrangements limits underwriting volatility. The insurer's combined ratio weakened to 96.5% in 2020 from 81.6% in 2019, partly due to reserve movements in personal lines, reduced commission income, and higher operating costs. We believe Chubb Insurance's COVID-19 exposures will not have any significant impact on the company.

Chubb Singapore is likely to maintain sound capitalization and manageable risk exposures, despite a relatively small capital base of Singapore dollar 248 million. The insurer's conservative investments, which consists mainly of highly rated fixed-income securities, limits its investment risk exposure. As of Dec. 31, 2020, Chubb Singapore's regulatory capital adequacy (under the new risk-based capital regime) ratio was 237.9%, well above the regulatory minimum requirement of 125%.

Chubb Singapore is debt free and has strong liquidity, aided by its cash holdings and liquid fixed-income securities. These should be enough to meet short-term needs, if required.

Chubb Insurance Singapore Ltd.--Key Metrics

(Mil. S\$)	--Year ended Dec. 31--				
	2020	2019	2018	2017	2016
Gross premiums written	310.0	313.5	297.7	254.4	239.8
Net income (attributable to all shareholders)	7.0	21.4	(3.3)	7.1	21.1
Financial leverage (%)	0.0	0.0	0.0	0.0	0.0
Return on shareholders' equity (%)	2.6	7.8	(1.2)	3.4	19.8
Net investment yield (%)	1.8	2.0	1.5	1.3	1.5
Net combined ratio (%)	96.5	81.6	106.5	92.2	82.0
Return on revenue (%)	6.1	17.8	1.0	10.5	27.9

S\$--Singapore dollar.

Outlook

The stable outlook on Chubb Singapore reflects the rating outlook on core entities of Chubb Group (core operating subsidiaries rated AA/Stable/--) and our view that the insurer will remain a highly strategic subsidiary of the group over the next two years.

Downside scenario

We could lower the ratings on Chubb Singapore if we lower our assessment of the group credit profile. We could also lower the ratings if the insurer's strategic relationship with Chubb Group weakens. This could happen if Chubb Singapore's operating performance deteriorates or the group's strategic focus changes, both of which we view as unlikely over the next 12–24 months.

Upside scenario

We could upgrade Chubb Singapore if our assessment of the group credit profile improves or we believe the insurer's strategic relationship with the group has strengthened. Chubb Singapore's increased involvement with the group in areas such as product development and strategy, or a sustainable growth in the insurer's share in the Singapore market while maintaining underwriting profitability would indicate strengthened involvement. In our view, an upgrade is unlikely over the next 12–24 months.

Related Criteria

- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- General Criteria: Principles For Rating Debt Issues Based On Imputed Promises, Dec. 19, 2014
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- Chubb Ltd., March 17, 2021

Ratings Detail (As Of August 12, 2021)***Operating Company Covered By This Report****Chubb Insurance Singapore Ltd.**

Financial Strength Rating

Local Currency

AA-/Stable/--

Issuer Credit Rating

Local Currency

AA-/Stable/--

Domicile

Singapore

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

Copyright © 2021 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.